Metal



DILEMMAS AND DICHOTOMIES

Private markets approaches to AI implementation

PRIVATE EQUITY WIRE®

KEY TAKEAWAYS

Compounding proprietary knowledge is increasingly an AI use case

Firms are split down the middle between build and buy/assemble approaches

Costs, data quality and trust remain primary blockers

There's a dichotomy at the heart of private equity's approach to AI implementation, between relatively modest immediate goals and infrastructure choices that signal ambition and sophistication.

According to Private Equity Wire®'s Q3 2026 GP Survey, firms are mainly using AI to target operational efficiency, cited as the main implementation goal by 59% of firms. The aim is to reduce time spent on repetitive tasks and free up value-add brain space.

On the more ambitious side, a third of firms are targeting outcomes that outlast efficiency: 13% want sharper conviction on deals, 11% a durable competitive edge, and 9% institutional intelligence, compounding firm knowledge so every team works from the same context.

MODELS OF INTEGRATION

Approaches to core AI infrastructure development have a strong bearing on how deeply it can be embedded across the investment lifecycle.

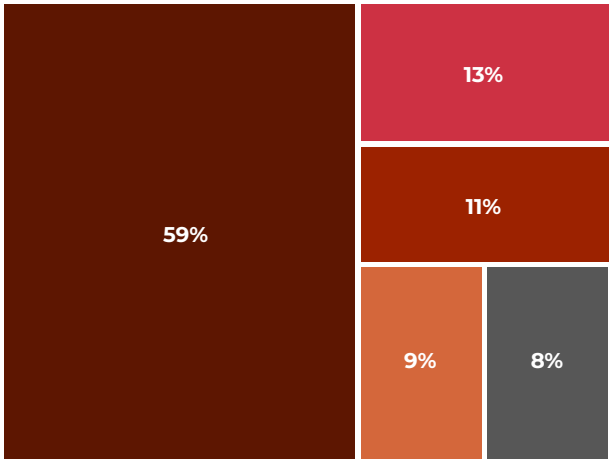
Most are electing to build their AI infrastructure internally, this being the preferred approach for 41% of firms. Others are choosing either to assemble integrated models (23%) or buy a purpose-built platform off the shelf (20%).

Investment strategy undoubtedly plays out in the decision. Private credit, a famously complex asset class with a vast ecosystem of service providers and agents, is more conducive to an 'assemble' approach, as chosen by a third of firms in the asset class. Only 10% of buyout firms, with a relatively simple operating model, choose to assemble point solutions, with 60% of buyout firms opting to build.

The build versus buy dichotomy plays out on multiple fronts. While simple operational efficiencies can be generated by an off-the-shelf AI model, bespoke solutions are needed when integrating the technology deep into the investment process. At the same time, resource constraints exert a natural limit on internal development, which holds true in our data – 50% of firms with more than $10bn in AUM choose the build option, compared to 39% below that size threshold.

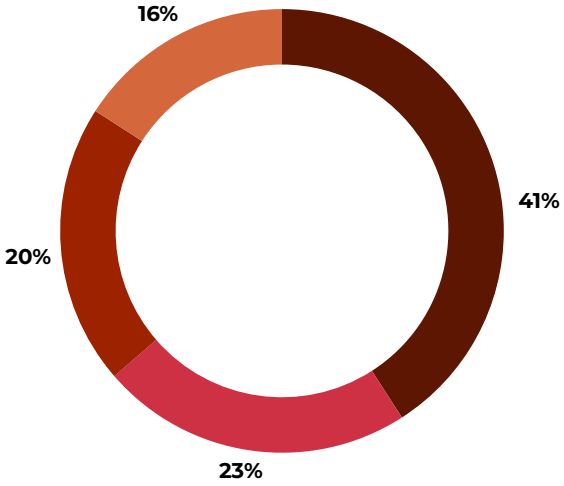
Cybersecurity is part of the story. With the industry facing frequent attacks targeting sensitive client data, the onus is now on GPs to show that they are implementing

Figure 1 AI Investment Goals: 2026

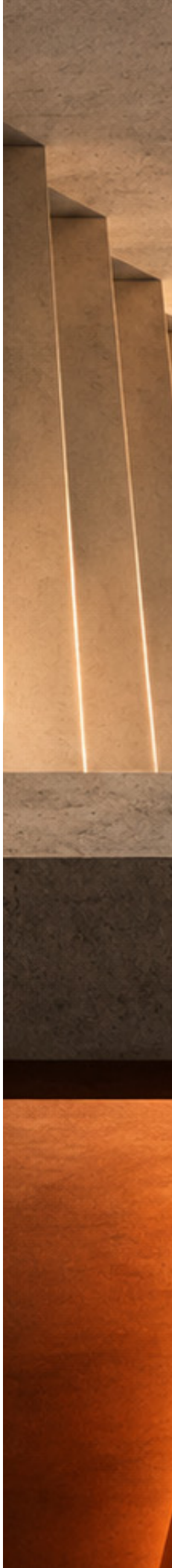


- **Operational efficiency:** Reducing time spent on repetitive tasks
- **Decision quality:** Building faster, sharper conviction on deals
- **Competitive differentiation:** Building a durable AI edge
- **Institutional intelligence:** Compounding proprietary knowledge
- We **don't yet** have a clearly defined AI goal

Figure 2 Approach to AI Infrastructure



- **Build:** AI stack and infrastructure owned internally
- **Assemble:** Integrated models, layers and point solutions
- **Buy:** Purpose-built platform designed for our use case
- **Early stage:** Still in pilot without a committed approach



appropriate safeguards. Owning the infrastructure keeps custody in-house, although buying brings institutional-grade security.

The case for building rests on what a firm keeps entirely to itself: ownership of its own data, direct control over how that data is secured, and the freedom to shape the system around its own investment process rather than a vendor's roadmap. Autonomy, however, can be a double-edged sword, as it might leave firms trailing if a new frontier model lands every few months. Adaptability is the argument for building, and it is the first casualty of building.

The harder cost arrives after launch. Foundational AI infrastructure requires continuous maintenance: entity resolution that is never finished, live connections into six systems that break during active diligence, and AI engineers who turn over faster once the work shifts from architecture to upkeep. None of this is a talent problem.

Taylor Lowe, CEO of Metal, says: "The decision that matters is not build versus buy. It is how a firm dedicates its engineering capacity. Every competitor can reach the same frontier models, so no firm builds an edge by rebuilding the plumbing that carries them. The edge is in what only that firm has: its proprietary deal record, sector theses, conviction framework, the workflows shaped around how it actually invests. Firms that build the full stack spend 60 to 70 percent of their capacity on generic infrastructure instead. The strongest AI advantage belongs to the firms that drew the cleanest line between the two."

BARRIERS TO STREAMLINING

AI implementation has certainly come a long way, with large language models softening considerably some of the data structuring and adoption challenges that previously hindered digital transformation projects more widely.

Still, the journey is far from seamless. Nearly a third (30%) of firms are struggling with the costs and time required for AI development, while data fragmentation and reliability remain key barriers, cited by 27% of firms each.

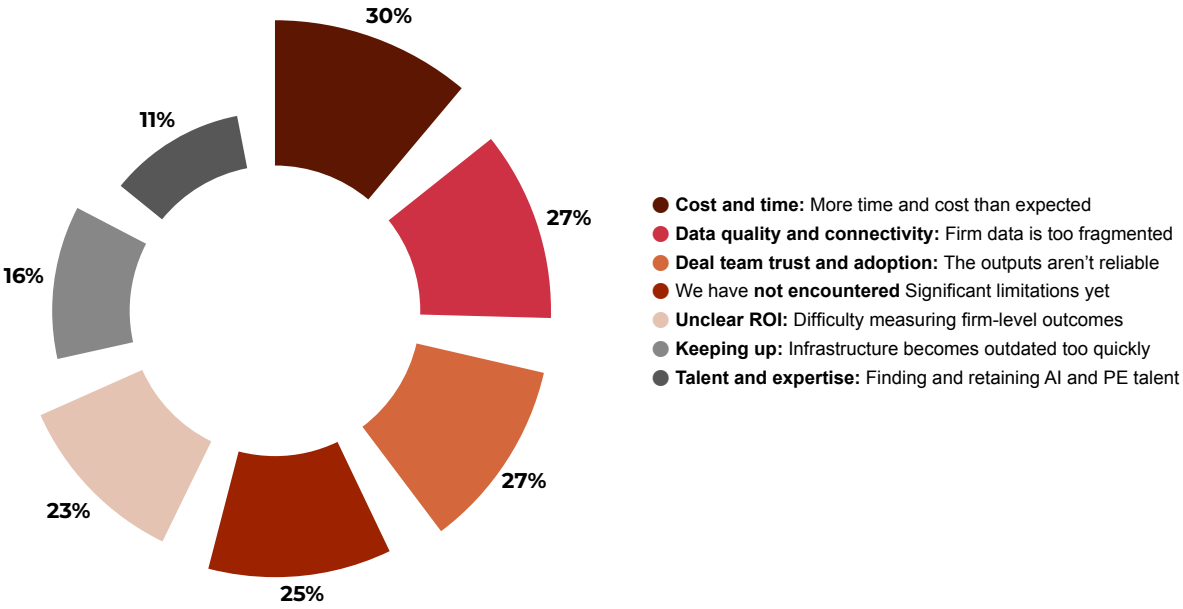
Larger firms predictably have deeper pockets – only a quarter of firms larger than $10bn in AUM cited costs and time as a challenge compared with 31% for firms smaller than that threshold. But this cuts both ways, as a remarkable 63% of larger firms say data fragmentation is a key issue compared with only 19% in the smaller bracket.

Lowe says: "That is not a gap in competence but accumulation: more deals, more systems, more teams, more judgment sitting where nobody has mapped it.

"But it's an organisational problem as much as a data problem. Each firm's history runs across many systems, where each holds a different piece of the deal and none of it resolves into a pattern the firm can carry forward. Across teams, where everyone builds their own AI and no admin can govern the result. Across time, where nothing marks which answers stopped being true. Better models have made many firms less consistent, not more."

The hard part of being AI-ready is not the AI. Models turn over frequently. A firm's record of what it has seen, decided and still believes is the one part of the stack that appreciates.

Figure 3 Limits to AI Progress



Respondents could select multiple options, so percentages may sum to more than 100%.

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